

**Remarks of Michael E. Fryzel, Chairman**  
**National Credit Union Administration**  
**Made to the National Association of Federal Credit Unions**  
**September 17, 2008**

Thank you Fred. I welcome this opportunity to address NAFCU's Congressional Caucus. It is encouraging to see the interest of so many credit unions in the government process and I am pleased that they recognize the importance of working with NAFCU to promote the credit union industry. Under Fred Becker's leadership, NAFCU has reached a new level of prominence and influence here in Washington. Your voice is not only an important one; it is an essential one, to those of us who make policy affecting the credit union industry.

NCUA recognizes the significant role of NAFCU in the Nation's Capital and stands ready to work with them for the continued success of credit unions across this country.

The National Credit Union Administration is the independent federal agency that regulates, charters and supervises federal credit unions. NCUA, with the backing of the full faith and credit of the U.S. Government, also operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of nearly 87 million account holders in all federally chartered credit unions and the vast majority of State-chartered credit unions.

NCUA is governed by a three member board, appointed by the President of the United States and confirmed by the Senate, and charged with the operation of the agency and the authority to set policy and procedure in the regulation and insuring of credit unions.

I have been designated as the Chairman of the NCUA Board and it is my ultimate responsibility to make sure the agency operates in a manner that will promote the safety and soundness of credit unions, protect the public interest in those institutions and create a climate for credit unions to function as strong, dynamic, consumer orientated financial service providers.

If you look at my background as a former state regulator of credit unions, an attorney in private practice specializing in the representation of financial interests, a member of the Illinois Governors Board of Credit Unions Advisors under three different governors and as a consultant to credit union trade associations, one can surmise that I have spent most of my career in training for the job I hold today.

Let me assure you, my past experience without question has helped me earn this position and hit the ground running upon my confirmation. I want to reiterate my agenda for the job of Chairman I professed to the US Senate Banking Committee – safety and soundness, fair and impartial regulation, consumer protection and a dedication to do the best job I can.

In the month prior to my swearing in and since that time, I have had countless meetings with my staff. I have daily briefings on issues before NCUA, I have met with numerous credit union leaders and I have spoken to all senior members of NCUA management and a number of the regional directors.

While it is my intention to speak at important gatherings of credit union officials, my top priority is to be aware of and familiar with every aspect of my agency. My approach is hands on management and my first responsibility is to effectively and efficiently run the agency that both regulates and insures this Nation's credit unions.

In front of the Senate Banking Committee, as well as to other credit union audiences, I have articulated my core view of regulation: that it must be as minimal as possible, and as much as necessary. I have stated my commitment to safety and soundness and consumer protection. I have underscored the importance of coherent and straightforward regulation, and open communication between the industry and NCUA. I am now in the process of turning these concepts into action.

Before you can address the need for sound regulation combined with a sensible approach to management, you must fully understand the concepts of fiscal responsibility, risk management and financial marketing.

Credit unions have consistently been there for their members. They have provided the financial needs of their membership from savings to checking, from debit to credit, from mortgage to home equity. And they have provided these products at fair and reasonable rates. And they must continue to do so.

Credit unions must meet today's challenge in order to continue to be the financial institution of choice for the future. They must reconnect with their members to fully know their needs. They must reach out to those members who need the help of a credit union now more than ever. And they must provide the guidance, assistance and one on one help that have made the industry strong and viable.

I challenge every credit union to reassess what you do; to step back and take a new look at your members; to develop fresh ideas as to what you can do to better and to reconnect to the philosophy of people helping people.

Corporate credit unions for over 30 years have provided member owned credit unions with the valuable services of investments, loans, check clearings and overall financial resources. In doing so, they have given credit unions the opportunity to grow, improve their level of service, and enhance their stature as strong financial institutions to serve their member's needs.

Like every other financial institution in these turbulent times, Corporates have also faltered and must regroup and regenerate themselves to withstand the balance of this economic downturn. NCUA is committed to work with the Corporates to do what is necessary to maintain the integrity of the credit union member and their deposits.

We are in the process of actively monitoring developments in the corporate credit union world. The ripples from the broader market dislocations have manifested themselves even in the most secure, highly-rated parts of the financial system. Now is not the time for a 'business as usual' passive approach. Rather, I will be very direct: where I see a balance sheet problem, I will move decisively to resolve it. Where I see adverse trends, I will take steps to correct them. And where activities prove to carry unacceptably high levels of risk and expose consumers to potential loss, I will intervene decisively.

Congress has increased its level of interest in how credit unions are faring. As the federal regulator, I have a clear responsibility to keep them well informed, aware of our efforts at mitigation and aware of the role that they can play to aid us if necessary. NCUA will act with the kind of resolve and confidence that these difficult times require."

We will take all necessary measures available to us to restructure, reenergize and maintain the corporate system as a viable entity. And I expect every trade organization, every credit union volunteer and professional to render their full support to our efforts to keep the entire credit union system vibrant and member driven.

As a result of the volatility of the markets I have been required to take aggressive measures that will constitute an ounce of prevention as we move through the remainder of the year.

I am directing Agency staff to conduct a broader and more comprehensive stress test of the National Credit Union Share Insurance Fund (NCUSIF). While NCUA has conducted such assessments of the Fund in the past, I want our tests to more accurately measure the Fund's capacity to withstand the stresses that could develop as a result of the credit and mortgage dislocations.

The confidence that I have in our close and careful supervision cannot be built on assumptions: I want data, and I want it to be thorough, and I want it to be based on real-world scenarios. This is the only way that a federal regulator and insurer can proceed in an informed manner given the speed and complexity with which situations can change.

To further enhance NCUA efforts at the examiner level, in August we issued a Supervisory Letter to our field staff on evaluating current risks to credit unions. This letter, also released to all federally insured credit unions, addresses such relevant and timely issues as the changing credit union business model, assessing risk management systems for mortgage portfolios and the importance of off-site monitoring as part of our risk-focused examination program. My expectation is that this will serve to improve our regulatory ability at a time when we need it the most.

Vice Chairman Hood, through his summits, has done important and beneficial work in the area of Risk Mitigation. I want to build on this, expand the scope of the discussions, and in doing so identify areas for cooperation among all sectors of this industry. If we look at these challenges as opportunities for refinement of existing practices, and the institution of new and better thinking, the credit union industry will emerge from the turbulence better prepared to serve its public.

It is our intention to hold a high-level industry Summit that gathers leaders from the regulatory, credit union, trade associations, and broader financial world to discuss the ramifications of the continued volatility in the credit and mortgage markets, and identify measures to mitigate the impact.

NCUA is rich with talent. It has the advantage of individuals with decades of experience in the regulation and insuring of credit unions. Such a resource of human intelligence and ability combined with strong leadership skills has the potential for an agency with insight, historical knowledge, perception of problems and the vision to meet challenges head on.

These are difficult and challenging times for the entire financial service industry. No one can predict the next turn in the market place and whether or not it will be in the right direction.

A financial regulator does not and should not have the power or ability to influence the direction of the economy. But they do have the chance to work in a positive way to weather the storm and help guide institutions through difficult times. Our nation has repeatedly bounced back from economic slowdowns and turbulence. It will again do so and get on the path to real growth and achievement. Industry and regulators, working together during these difficult times, will ensure we create an environment that will enable credit unions to enjoy the success that lies ahead.

Vigilant and thorough supervision with an emphasis on safety and soundness and a proactive approach to consumer education and protection; that is our mandate and pledge to the industry and the consumers who make credit unions their financial choice.

NCUA is my focus; the credit union industry is my charge. I will be at the helm steering this ship, and I will set its course. I will accept nothing but the best from those alongside me nor will I accept anything less from those of you who head the fleet that is relied upon by millions of people in this country.

My goals are clear and my mission strong. My willingness to work alongside credit unions is part of my regulatory duty and philosophy. My door and my mind will always be open to listen and learn. I will weigh all factors in making decisions and consider all sides of an issue.

You can be assured my final decision on any matter will be what I believe is in the best interest of the industry and the people it serves while promoting its continued financial strength.

I pledge to you, as I did to the Congress, a strong and sensible approach to the regulation of credit unions. With your support and cooperation, I will achieve that objective and we will share in being a part of a vibrant, progressive and fiscally sound financial industry.